



Bureau of Labor Statistics

Boston, MA 02203

Internet address: www.bls.gov/rol

Information: 617-565-2327

Media Information: 617-565-2331

Fax-on-demand: 617-565-9167

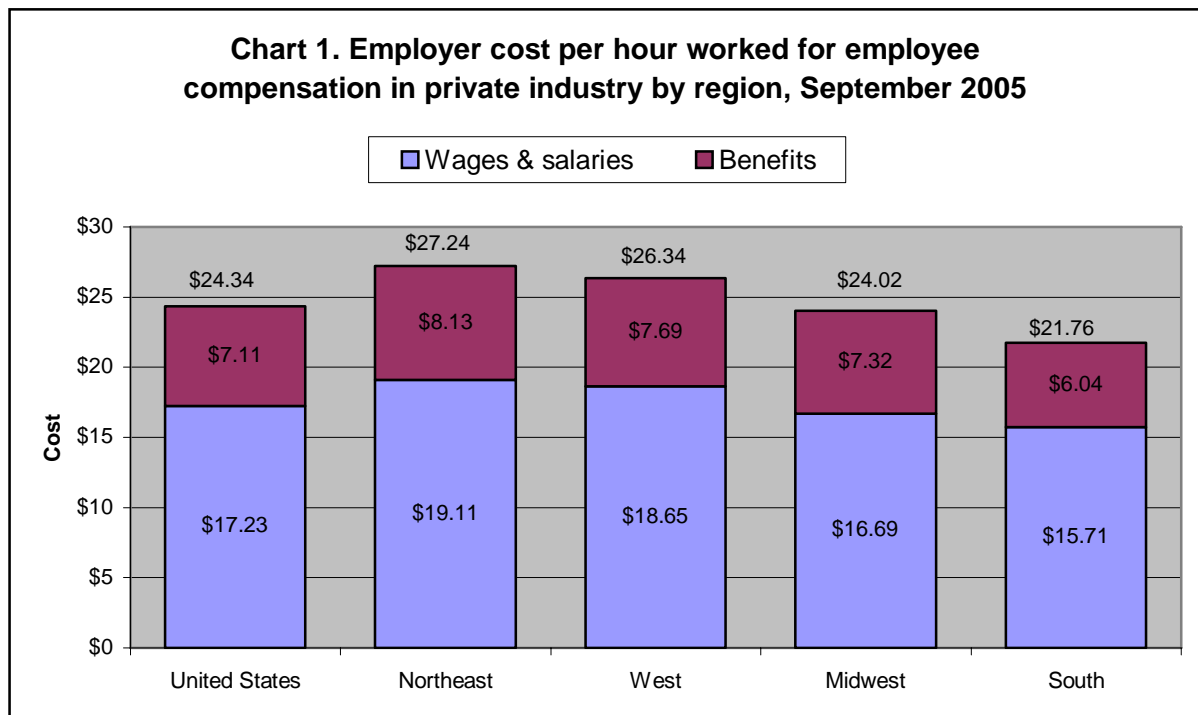
USDL 05-354

For Release: Friday, December 16, 2005

Fax Code: 9650

EMPLOYER COSTS FOR EMPLOYEE COMPENSATION FOR THE REGIONS – September 2005

Employer costs for employee compensation in private industry among the four geographic regions of the country ranged from \$21.76 per hour in the South to \$27.24 in the Northeast in September 2005, according to the U.S. Department of Labor's Bureau of Labor Statistics. Regional Commissioner Denis M. McSweeney noted that employer costs for employee compensation in the other two regions were \$24.02 in the Midwest and \$26.34 in the West. (See chart 1.) In addition to regional estimates, employer costs for nine geographic divisions are also available. Within divisions, total compensation costs ranged from \$20.43 in the East South Central division to \$28.21 in the Pacific division. Employer Costs for Employee Compensation is based on the National Compensation Survey which measures employer costs for wages, salaries, and employee benefits. (See table 1. Geographic definitions of the regions and divisions are contained in the Explanatory Note.)



In the Northeast, wages and salaries, at \$19.11, made up 70.2 percent of total compensation costs. Benefits costs, at \$8.13, accounted for the remaining 29.8 percent. Legally required benefits, which includes Social Security, workers' compensation, and unemployment insurance, averaged \$2.33 per hour worked in the Northeast and represented 8.6 percent of total compensation costs. Insurance costs, including life, health, short- and long-term disability, averaged \$2.02 per hour worked, accounting for 7.4 percent of total compensation, while paid leave, which includes vacation, holiday, sick, and other leave, was \$1.87 per hour representing 6.9 percent of all compensation costs.

Wages and salaries averaged \$18.65 in the West and accounted for 70.8 percent of all compensation costs. Costs for benefits averaged \$7.69, representing 29.2 percent of total compensation. Legally required benefits averaged \$2.49 per hour worked accounting for 9.5 percent of total compensation costs in the West. The cost of insurance benefits averaged \$1.79 per hour worked and represented 6.8 percent of total compensation, while paid leave was \$1.65 per hour or 6.3 percent of all costs.

Wages and salaries in the Midwest, which averaged \$16.69, represented 69.5 percent of all compensation costs. Benefits, averaging \$7.32 per hour, accounted for 30.5 percent of total compensation. Legally required benefits cost employers \$2.08 per hour worked or 8.6 percent of total compensation costs. Insurance was \$1.93 per hour worked and represented 8.0 percent of total compensation. The cost of paid leave in the Midwest averaged \$1.52 per hour, accounting for 6.3 percent of total compensation.

In the South, wages and salaries, at \$15.71, made up 72.2 percent of total compensation, and benefits, at \$6.04, accounted for the remaining 27.8 percent. Among the largest benefit categories were legally required benefits averaging \$1.86 per hour worked and representing 8.5 percent of total compensation costs in the South. Insurance costs averaged \$1.54 per hour worked and accounted for 7.1 percent of total compensation, while paid leave averaged \$1.34 per hour representing 6.2 percent of all costs.

Overall, compensation costs among private industry employers in the United States averaged \$24.34 per hour worked in September 2005. Wages and salaries, at \$17.23, accounted for 70.8 percent of these costs, while benefits, at \$7.11, made up the remaining 29.2 percent. Benefits, as a percentage of total compensation in the private sector, have increased over the past five years from 27 percent of total compensation in 2000.

Table 1. Employer costs per hour worked for employee compensation and costs as a percent of total compensation: Private industry workers, by census region and division, September 2005

Compensation component	Census region and division(1)									
	Northeast		Northeast divisions				South		South divisions	
	Cost	Percent	New England		Middle Atlantic		Cost	Percent	South Atlantic	
			Cost	Percent	Cost	Percent			Cost	Percent
Total compensation	\$27.24	100.0	\$26.14	100.0	\$27.69	100.0	\$21.76	100.0	\$22.25	100.0
Wages and salaries	19.11	70.2	18.57	71.0	19.33	69.8	15.71	72.2	16.15	72.6
Total benefits	8.13	29.8	7.57	29.0	8.35	30.2	6.04	27.8	6.09	27.4
Paid leave	1.87	6.9	1.71	6.5	1.94	7.0	1.34	6.2	1.39	6.2
Vacation	.91	3.3	.82	3.1	.95	3.4	.67	3.1	.69	3.1
Holiday	.65	2.4	.62	2.4	.66	2.4	.46	2.1	.48	2.1
Sick	.24	.9	.21	.8	.25	.9	.16	.7	.16	.7
Other	.08	.3	.07	.3	.08	.3	.05	.2	.06	.3
Supplemental pay	.83	3.1	.78	3.0	.86	3.1	.56	2.6	.52	2.3
Overtime and premium(2)	.23	.8	.22	.8	.23	.8	.23	1.0	.22	1.0
Shift differentials	.06	.2	.06	.2	.06	.2	.05	.2	.05	.2
Nonproduction bonuses	.55	2.0	.49	1.9	.57	2.1	.29	1.3	.25	1.1
Insurance	2.02	7.4	1.79	6.9	2.12	7.6	1.54	7.1	1.54	6.9
Life	.04	.2	.04	.2	.04	.2	.04	.2	.04	.2
Health	1.88	6.9	1.68	6.4	1.96	7.1	1.42	6.5	1.42	6.4
Short-term disability	.07	.2	.04	.2	.08	.3	.04	.2	.04	.2
Long-term disability	.03	.1	.03	.1	.03	.1	.03	.1	.03	.2
Retirement and savings	1.01	3.7	.99	3.8	1.02	3.7	.72	3.3	.72	3.2
Defined benefit	.45	1.7	.40	1.5	.48	1.7	.33	1.5	.30	1.4
Defined contribution	.56	2.1	.59	2.3	.55	2.0	.39	1.8	.42	1.9
Legally required benefits	2.33	8.6	2.27	8.7	2.36	8.5	1.86	8.5	1.90	8.5
Social Security and Medicare	1.61	5.9	1.58	6.1	1.62	5.9	1.32	6.1	1.35	6.1
Social Security(3)	1.29	4.7	1.27	4.9	1.30	4.7	1.06	4.9	1.09	4.9
Medicare	.32	1.2	.31	1.2	.32	1.2	.26	1.2	.26	1.2
Federal unemployment insurance	.03	.1	.03	.1	.03	.1	.03	.2	.03	.2
State unemployment insurance	.23	.8	.23	.9	.22	.8	.11	.5	.11	.5
Workers' compensation	.46	1.7	.42	1.6	.48	1.7	.39	1.8	.41	1.8
Other benefits(4)	.05	.2	.04	.1	.06	.2	.02	.1	.02	.1

See footnotes at end of table.

Table 1. Employer costs per hour worked for employee compensation and costs as a percent of total compensation: Private industry workers, by census region and division, September 2005 - Continued

Compensation component	Census region and division(1)									
	South divisions				Midwest		Midwest divisions			
	East South Central		West South Central		Cost	Percent	East North Central		West North Central	
	Cost	Percent	Cost	Percent			Cost	Percent	Cost	Percent
Total compensation	\$20.43	100.0	\$21.57	100.0	\$24.02	100.0	\$25.26	100.0	\$21.16	100.0
Wages and salaries	14.51	71.0	15.55	72.1	16.69	69.5	17.47	69.1	14.93	70.5
Total benefits	5.93	29.0	6.01	27.9	7.32	30.5	7.80	30.9	6.23	29.5
Paid leave	1.19	5.8	1.33	6.2	1.52	6.3	1.62	6.4	1.28	6.0
Vacation	.60	3.0	.65	3.0	.76	3.1	.81	3.2	.64	3.0
Holiday	.39	1.9	.47	2.2	.52	2.2	.56	2.2	.42	2.0
Sick	.14	.7	.16	.8	.16	.7	.17	.7	.15	.7
Other	.05	.3	.05	.2	.08	.3	.09	.3	.06	.3
Supplemental pay	.71	3.5	.56	2.6	.76	3.2	.83	3.3	.60	2.8
Overtime and premium(2)	.25	1.2	.23	1.1	.29	1.2	.31	1.2	.26	1.2
Shift differentials	.06	.3	.04	.2	.07	.3	.08	.3	.06	.3
Nonproduction bonuses	.40	2.0	.29	1.3	.39	1.6	.44	1.7	.28	1.3
Insurance	1.60	7.8	1.52	7.0	1.93	8.0	2.06	8.2	1.63	7.7
Life	.04	.2	.04	.2	.04	.2	.05	.2	.04	.2
Health	1.47	7.2	1.41	6.5	1.80	7.5	1.92	7.6	1.52	7.2
Short-term disability	.06	.3	.04	.2	.06	.2	.06	.2	.05	.2
Long-term disability	.03	.2	.03	.1	.03	.1	.04	.1	.03	.1
Retirement and savings	.60	2.9	.77	3.6	.99	4.1	1.07	4.2	.80	3.8
Defined benefit	.27	1.3	.41	1.9	.58	2.4	.64	2.6	.44	2.1
Defined contribution	.33	1.6	.36	1.7	.40	1.7	.42	1.7	.36	1.7
Legally required benefits	1.82	8.9	1.80	8.3	2.08	8.6	2.16	8.5	1.90	9.0
Social Security and Medicare	1.26	6.2	1.28	6.0	1.42	5.9	1.48	5.9	1.28	6.1
Social Security(3)	1.02	5.0	1.03	4.8	1.14	4.8	1.19	4.7	1.04	4.9
Medicare	.24	1.2	.25	1.2	.28	1.2	.29	1.1	.25	1.2
Federal unemployment insurance	.03	.2	.03	.1	.03	.1	.03	.1	.03	.2
State unemployment insurance	.11	.5	.12	.6	.17	.7	.18	.7	.14	.7
Workers' compensation	.42	2.0	.36	1.7	.46	1.9	.46	1.8	.44	2.1
Other benefits(4)	.02	.1	.03	.1	.05	.2	.06	.2	.03	.1

See footnotes at end of table.

Table 1. Employer costs per hour worked for employee compensation and costs as a percent of total compensation: Private industry workers, by census region and division, September 2005 - Continued

Compensation component	Census region and division(1)					
	West		West divisions			
	Cost	Percent	Mountain		Pacific	
			Cost	Percent	Cost	Percent
Total compensation	\$26.34	100.0	\$21.58	100.0	\$28.21	100.0
Wages and salaries	18.65	70.8	15.48	71.7	19.89	70.5
Total benefits	7.69	29.2	6.10	28.3	8.31	29.5
Paid leave	1.65	6.3	1.24	5.8	1.82	6.4
Vacation	.84	3.2	.64	3.0	.92	3.2
Holiday	.56	2.1	.41	1.9	.62	2.2
Sick	.21	.8	.15	.7	.23	.8
Other	.05	.2	.04	.2	.05	.2
Supplemental pay	.76	2.9	.72	3.3	.78	2.7
Overtime and premium(2)	.24	.9	.22	1.0	.24	.9
Shift differentials	.05	.2	.05	.2	.05	.2
Nonproduction bonuses	.47	1.8	.44	2.0	.48	1.7
Insurance	1.79	6.8	1.50	7.0	1.90	6.7
Life	.04	.1	.03	.1	.04	.1
Health	1.68	6.4	1.42	6.6	1.78	6.3
Short-term disability	.03	.1	.03	.1	.04	.1
Long-term disability	.03	.1	.03	.1	.04	.1
Retirement and savings	.98	3.7	.68	3.1	1.09	3.9
Defined benefit	.50	1.9	.25	1.1	.60	2.1
Defined contribution	.48	1.8	.43	2.0	.49	1.8
Legally required benefits	2.49	9.5	1.95	9.0	2.71	9.6
Social Security and Medicare	1.55	5.9	1.32	6.1	1.64	5.8
Social Security(3)	1.24	4.7	1.07	4.9	1.31	4.7
Medicare	.31	1.2	.26	1.2	.33	1.2
Federal unemployment insurance	.03	.1	.03	.2	.03	.1
State unemployment insurance	.19	.7	.12	.5	.22	.8
Workers' compensation	.72	2.7	.48	2.2	.81	2.9
Other benefits(4)	.02	.1	.02	.1	.03	.1

1 The States that comprise the census divisions are: New England: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont; Middle Atlantic: New Jersey, New York, and Pennsylvania; South Atlantic: Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia; East South Central: Alabama, Kentucky, Mississippi, and Tennessee; West South Central: Arkansas, Louisiana, Oklahoma, and Texas; East North Central: Illinois, Indiana, Michigan, Ohio, and Wisconsin; West North Central: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota; Mountain: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming; and Pacific: Alaska, California, Hawaii, Oregon, and Washington.

2 Includes premium pay for work in addition to the regular work schedule (such as overtime, weekends, and holidays).

3 Comprises the Old-Age, Survivors, and Disability Insurance (OASDI) program.

4 Includes severance pay and supplemental unemployment benefits.

5 Cost per hour worked is \$0.01 or less.

6 Less than .05 percent.

Note: The sum of individual items may not equal totals due to rounding.

EXPLANATORY NOTE

Employer Costs for Employee Compensation (ECEC) measures the average cost per employee hour worked that employers pay for wages and salaries and benefits.

Wages and salaries are defined as the hourly straight-time wage rate or, for workers not paid on an hourly basis, straight-time earnings divided by the corresponding hours. Straight-time wage and salary rates are total earnings before payroll deductions and include production bonuses, incentive earnings, commission payments, and cost-of-living adjustments. Not included in straight-time earnings are nonproduction bonuses such as lump-sum payments provided in lieu of wage increases, shift differentials, and premium pay for overtime and for work on weekends and holidays; these payments are included in the benefits component.

Benefits include: Paid leave-vacations, holidays, sick leave, and other leave; supplemental pay-overtime and premium pay for work in addition to the regular work schedule (such as weekends and holidays), shift differentials, and nonproduction bonuses (such as referral bonuses and lump-sum payments provided in lieu of wage increases); insurance benefits-life, health, short-term disability, and long-term disability; retirement and savings benefits-defined benefit and defined contribution plans; legally required benefits-Social Security, Medicare, Federal and State unemployment insurance, and workers' compensation; and other benefits-severance pay and supplemental unemployment plans.

The cost levels for this quarter were collected from a probability sample of about 41,000 occupations within approximately 9,500 sample establishments in private industry. Excluded from private industry are the self-employed and farm and private household workers. Data are collected for the pay period including the 12th day of the survey months of March, June, September, and December.

Beginning with the March 2004 estimates, the ECEC percent of total compensation estimates are calculated from dollar aggregates and then rounded to the published level of precision. This change in method will provide the most precise estimates of the percent of total compensation; however, estimates of the percentage of total compensation calculated from the published cost estimates may differ slightly from those calculated from the unpublished dollar aggregates.

Sample establishments are classified by industry categories based on the 2002 North American Industry Classification (NAICS) system, as defined by the U.S. Office of Management and Budget. Within a sample establishment, specific job categories are selected and classified into about 800 occupational classifications according to the 2000 Standard Occupational Classification (SOC) system. Individual occupations are combined to represent one of ten intermediate aggregations such as professional and related occupations, or one of five higher-level aggregations such as management, professional, and related occupations. For more detailed information on NAICS and SOC, including background and definitions, see the BLS Web sites: <http://www.bls.gov/bls/naics.htm> and <http://www.bls.gov/soc/home.htm>.

Additional occupational and industrial series were introduced in March 2004 with the introduction of the NAICS and SOC definitions. Several publications have been prepared to provide more information on the transitions of the ECEC to NAICS and SOC, including a brief overview, a question-and-answer document, and a detailed overview on the differences in series due to the changes in industry and occupational classification systems. In addition, an article on the transition, "Comparing Current and Former Industry and Occupational ECEC Series" is available on the e-journal, [Compensation and Working Conditions Online](http://www.bls.gov/opub/cwc/cm20040823ar01p1.htm), posted August 25, 2004, on the BLS Web site <http://www.bls.gov/opub/cwc/cm20040823ar01p1.htm>. Information on the transition may be obtained by calling (202) 691-6199, sending an e-mail message to ocltinfo@bls.gov, or visiting the BLS Web site at <http://www.bls.gov/ncs/ect/#notices>.

Current employment weights are used to calculate cost levels. The September 2005 cost levels were calculated using the September 2005 employment counts from the Bureau of Labor Statistics Current Employment Statistics (CES) program, benchmarked to the March 2004 universe of all private nonfarm establishments. For more information on the CES updating of employment estimates, see "BLS Establishment Estimates Revised to Incorporate March 2004 Benchmarks" on the BLS Web site <http://www.bls.gov/web/cesbmart.htm>.

In most instances, private industry employment counts used in the ECEC were total employment estimates for 3-digit sub-sector industry groups, such as machinery manufacturing (NAICS 333) or gasoline stations (NAICS 447), as defined by the NAICS system. In a few cases, more detailed private industry employment counts were used. These include 4-digit educational establishments--elementary and secondary schools (6111), junior colleges (6112), and colleges and universities (6113)--as well as the 6-digit aircraft manufacturing industry (336411). The employment data were apportioned based on the sampling weights assigned to the Employment Cost Index (ECI) sample. For more information on NAICS coding, see "Recent changes in the national Current Employment Statistics survey" in the June 2003 issue of the Monthly Labor Review.

The ECI, which measures the change in employer costs for employee compensation, is calculated with fixed 1990 employment counts to prevent employment shifts among occupations and industries from influencing the changes. Therefore, year-to-year changes in Employer Costs for Employee Compensation will differ from those in the ECI.

Historical ECEC data, using the industry categories based on the 1987 Standard Industrial Classification System and classifying jobs into occupational classifications according to the Census of Population, are available from several sources. Data and related articles are included in the bulletin, Employer Costs for Employee Compensation, 1986-99 (Bulletin 2508). An annual historical listing from March 1986 through March 2002 is also available on the BLS Web site <http://www.bls.gov/ncs/ect/home.htm> or upon request. Data on a quarterly basis from June 2002 through December 2003 is also available.

Beginning with the March 2004 quarter, historical data are available based on the 2002 North American Industry Classification System and the 2000 Standard Occupational Classification. The new historical tables are available on the BLS Web site <http://www.bls.gov/ncs/ect/home.htm> or upon request. Information on how costs are calculated appears in "Measuring Trends in the Structure and Levels of Employer Costs for Employee Compensation," Compensation and Working Conditions, Summer 1997. An article on changes in employer compensation costs, "Tracking Changes in Benefit Costs," appears in Compensation and Working Conditions, Spring 1999.

Relative Standard Errors

Because the ECEC is a sample survey, it is subject to sampling errors. Sampling errors are differences that occur between the results computed from a sample of observations and those computed from all observations in the population. The estimates derived from different samples selected using the same sample design may differ from one another. A measure of the variation among these differing estimates is the standard error. It can be used to measure the precision with which an estimate from a particular sample approximates the expected result of all possible samples. The chances are about 68 out of 100 that an estimate from the survey differs from a complete population figure by less than the standard error. The chances are about 90 out of 100 that this difference would be less than 1.6 times the standard error. All the statements of comparisons appearing in this publication are significant at a 1.6 standard error level or better, unless otherwise indicated. This means that for differences cited, the estimated difference is greater than 1.6 times the standard error of the difference.

The relative standard error (RSE) for all estimates will be available shortly after the release is issued. This information can be obtained directly from the BLS Web site <http://www.bls.gov/ncs/ect/home.htm>, by e-mail request to ocltinfo@bls.gov, or by telephone (202) 691-6199.

For a more detailed explanation of relative standard errors, see "Measuring Trends in the Structure and Levels of Employer Costs for Employee Compensation," Compensation and Working Conditions, Summer 1997. For a detailed explanation of how to use standard error data to analyze differences in year-to-year changes, see "Analyzing Year-to-Year Changes in Employer Costs for Employee Compensation," Compensation and Working Conditions, Spring 1998. This article supplements an article from the Summer 1997 issue of Compensation and Working Conditions, "Explaining the Differential Growth Rates of the ECI and ECEC," which examined how differences in the construction of these measures contribute to differing trends.

Standard errors relate to differences that occur from sampling errors, but not from nonsampling errors. Nonsampling errors are not measured and include survey nonresponse and data collection and processing errors. Survey nonresponse occurs when sample members are unwilling or unable to participate in the survey. Data collection errors include inaccurate data by respondents and definitional difficulties. Processing errors include errors in recording, coding, and entering data. Although nonsampling errors are not measured, BLS quality assurance programs contain procedures for reducing such errors. These procedures include data collection reinterviews, observed interviews, computer data edits, and systematic review of reports on which data are recorded. Extensive field economist training also is conducted to maintain high data collection standards.

Regional definitions

Northeast region

- New England division: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
- Middle Atlantic division: New Jersey, New York, Pennsylvania

Midwest region

- East North Central division: Illinois, Indiana, Michigan, Ohio, Wisconsin
- West North Central division: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

South region

- South Atlantic division: Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia
- East South Central division: Alabama, Kentucky, Mississippi, Tennessee
- West South Central division: Arkansas, Louisiana, Oklahoma, Texas

West region

- Mountain division: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming
- Pacific division: Alaska, California, Hawaii, Oregon, Washington

Obtaining information

We encourage users interested in learning more about changes to the Employer Costs for Employee Compensation to contact the Bureau of Labor Statistics. Information on the ECEC and other surveys are available on our Web site at <http://www.bls.gov>. Current and historical BLS data are also posted on our Web site at <http://www.bls.gov/ect>. ECEC data are also available through our fax-on-demand system. For a catalog of items available to be faxed to you, call our fax-on-demand number at (617) 565-9167, menu option 2. If you have additional questions, you can contact an Information Specialist in the Boston BLS information office at (617) 565-2327, menu option 0. Information from the Employer Costs for Employee Compensation program is available to sensory impaired individuals upon request. Voice phone: (202) 691-5200, Federal Relay Services: 1-800-877-8339.